

Schary, Claire

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Subject: Article: WA Gov Inslee signs bill to explore water quality trading

From BNA's Daily Environment Report.

FYI, Helen Bresler at Ecology said they were aware of this effort and were able to get earlier versions modified a bit, so this is much better than what was initially proposed, in terms of keeping Ecology involved.

-- Claire

Washington State Enacts Law to Study Implementation of Water Quality Trading

By [Paul Shukovsky](#)

April 2 — Washington Gov. Jay Inslee (D) signed into law March 27 a bill kicking off an inquiry into whether there are enough potential buyers and sellers of water-quality trading credits to support the establishment of a trading market, and what form such a marketplace would take.

The legislation (SHB 2454) was passed by the House on Feb. 17 by a vote of 93–5 and by the Senate unanimously March 7. The bill builds on a 2009 Washington State Conservation Commission [study](#) that found it feasible to launch a farm or forest-based market for selling credits for wetland or habitat restoration or water quality cleanup.

The purchasers of such credits would be agencies such as municipal sewage treatment plants needing to fulfill mitigation or compliance requirements.

Jay Gordon, who has about 150 dairy cows on his 142-year-old family farm in the Chehalis River valley, is executive director of the Washington State Dairy Federation and took a leading role in lobbying the Legislature to pass the bill. Gordon told Bloomberg BNA March 31 that he views water-quality trading as a win-win for farmers, point-source emitters and the environment.

Gordon envisions a scenario where farmers already using conscientious best practices to manage manure runoff are paid to go above and beyond the requirements to keep even more phosphorous from getting into waterways. It might take the form of contracts between upstream farmers and a downstream sewage treatment plant, he said. "You'd have to prove that all of those contracts will be equal to or better for the watershed," Gordon said.

'What Goes Above and Beyond?'

Bruce Wishart is a lobbyist representing a number of environmental groups, including the Sierra Club and the Puget Soundkeeper Alliance. Staff to the House Committee on Natural Resources summarized Wishart's testimony to lawmakers as saying, in essence: There are more than 40,000 farms in Washington, but only 12 are permitted for lawful pollution discharge. That means many other farms are illegally functioning as nonpoint sources of pollution. Trading systems that pay these farms to do what the law already requires them to do is not beneficial and actually reduces water quality.

Wishart told Bloomberg BNA March 31: "The key is to determine what goes above and beyond existing requirements. The threshold question is, do the farms have anything to trade in terms of pollution requirements, because there is a state law that says no discharge of pollutants. We have expressed a willingness to explore this question further."

One promising example, said Wishart, is a new type of tilling that reduces residues of legacy pesticides in the soil and can reduce the amounts of such pollutants that leach back into streams. "That's an example of something we'd be willing to explore in the context of trading."

"Unfortunately, there are basic, best-management practices that aren't in place on a lot of farms," Wishart said. "And we are seeing significant pollution problems because of that. I'd be very reluctant to explore trading where we are

paying someone to put in place basic strategies to control pollution and in return lower the standards for a nearby municipal treatment plant.”

‘Creating Economic Value.’

Told of Wishart's comments, Gordon said, “Bruce has a legitimate point. We have to work through this and decide what am I, as a farmer, allowed to do under state law. and what I am not allowed to do? You wouldn't get a contract to do what you should be doing already. Bruce is correct: We are not going to pay you to stop dumping manure into the creek.”

Ron Shultz, policy director for the state conservation commission, told BBNA March 31, “The challenge here is that you have this legal requirement: Do not pollute. We don't have the resources to enforce this at all places at all times. So how do we incentivize the landowner to do the right thing, to not pollute the water? By creating economic value with a strong incentive for the farmer.”

Shultz said the commission will convene stakeholders in an advisory panel this summer as a first step in meeting the mandate in the bill to produce a report to the Legislature on trading by October 2017.

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For More Information

The 2009 Washington State Conservation Commission report is available at <http://ofp.scc.wa.gov/wp-content/uploads/2013/03/Cons-Mkts-Study-Report-v1-25-09.pdf>.

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